

**APPENDIX H**  
**ACT 51 TRANSIT COMMITTEE REPORT**  
April 27, 2000



## **Act 51 Transit Committee Report**

April 27, 2000

### **Act 51 Transit Committee**

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## **Vision Statement**

To move Michigan's state- and federally-subsidized local mass transit systems from a cost-based reimbursement regime to a customer-oriented, performance-based program; to achieve necessary legislative reforms that will enhance a state transportation system focused on maximum potential, efficiency, and effectiveness; and to encourage remedies that achieve public and private partnerships, local support and the elimination of costly duplicate services in making mass transit services an attractive modal choice for Michigan's citizens.

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Copies of written testimony are available upon request. The meeting minutes are available on the Act 51 Transit Committee's website: [www.mdot.state.mi.us/act51/transit](http://www.mdot.state.mi.us/act51/transit).

## Executive Summary

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The Act 51 Transit Committee met 14 times from July of 1999 through April of 2000, listening to many hours of citizen and interest group testimony. From the hearing process, the committee was able to develop specific recommendations to restructure much of Michigan's mass transportation subsidized system. The committee worked from the three charges developed in conjunction with the State Transportation Commission (STC) (see pages 3 through 5). From the charges, the committee adopted nine goals (page 5) to focus the work of the committee.

The recommendations of the committee will move the state-administered program from a cost-based program to a more efficient and effective system rooted in improved management practices, elimination of duplicated services, more local management accountability and authority, and better regional cooperation among transit providers.

The new formula distributes capital and operating funds in a two-step process, and gives transit agencies the flexibility to manage their systems more effectively by removing restrictions that require local money, or state money, be used to match federal dollars for capital expenditures. Agencies will be free to structure expenditures as they deem necessary to enhance the success of their system. The only requirement is that they stay within federal guidelines.

- The first step distributes funding among service types (urban, small urban and rural) based on the percentage in total going to these service types currently. This portion of the formula provides for a more equitable distribution of funds and eliminates unfair competition among agencies with vastly different populations and transportation needs.
- The second step distributes funds within service types. The funds are allocated on an initial base funding level of 75 percent of Act 51 transit funds, declining over a five-year period to 50 percent base. The percentages are phased down 5 percent per year for the five-year period. One-half the money will be distributed on population and one-half based on population density within the transit service area. The balance of the Act 51 transit funds shall be distributed based on cost efficiency (50 percent) and effectiveness factors (50 percent). Effectiveness of a transit agency in providing services will be determined on the level of locally-derived income, and may include a measure of how well the transit dependent and the aggregate population are being served. The method used to measure cost efficiency shall be agreed upon by the transit industry in conjunction with the Michigan Department of Transportation (MDOT) and will be a measure of output divided by input.
- The committee recognized a new formula may have a negative financial impact on some transit agencies and recommends that transitional funds be made available to soften the impact of possibly reduced funding over a three-year phase-in period.

- Provide financial incentives to transit systems to establish coordinated regional services where the demand for such services exists. Funding for the incentives shall come from sources other than current state operating assistance funds. It is not the intent of the committee to duplicate services.
- The Detroit Department of Transportation (DDOT) and the Suburban Mobility Authority for Regional Transportation (SMART) shall develop a coordinated regional transit system to better serve the Detroit metropolitan area more effectively and efficiently.
- Require a competitive bidding process for the delivery of new regional transit services to ensure that private and inter-city carriers have the opportunity to provide those services. The state and transit providers shall continue to implement a competitive bidding process for private operators to compete for the provision of existing and new services for public transit passengers. Any bidding by public transit operators must require a full cost allocation for overhead and administrative costs by the publicly funded transit operator.
- The Michigan Department of Transportation and the transit industry shall continue to work cooperatively to increase federal transit funding to Michigan.
- Consolidate existing transportation funds from all state departments and agencies, other than MDOT, and distribute to the intended beneficiaries through a voucher system.
- Eliminate the comprehensive transportation fund state operating subsidy to AMTRAK and direct the funds to transit agencies.
- Require agencies receiving state transit funds to develop five-year plans that identify transit needs and proposed service to be provided. Plans shall include periodic assessments of unmet transit needs within their communities and regions.
- The State Transportation Commission should form a standing committee to periodically evaluate the revised transit funding formula and how well the goals and objectives of this committee have been met. This standing committee should require the Bureau of Urban and Public Transportation (UPTRAN) to develop and publish an evaluation and reporting process that allows the taxpayers and the transit operators to see how the transit agencies do in efficiency and effectiveness measures.
- This simplified formula should allow MDOT to substantially reduce its administrative burden to “best in class” among all states. UPTRAN has provided documentation indicating “best in class” administrative costs for transit services are as little as half of the current bureau costs for transit program management.

## Introduction

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Public Act 308 of 1998, signed into Michigan law in July of 1998, mandated the appointment of a five-person committee, by the governor, to serve as a study committee to review transportation funding options, transportation investment priorities, and potential strategies for maximizing returns on transportation investments. Under the authority of this act, the Governor charged the Michigan State Transportation Commission with appointing a separate, six-member committee to make recommendations on improving public transportation in Michigan. The committee charge was to:

“Examine the current operating service area structure. Assess what operational factors impede transit agencies from providing service outside their operating service area. Recommend an approach for expanding transit agencies’ service areas to a regional basis, including establishing a transitional plan for a new regional organizational structure. Consider the implications that the existing and regional service can have on intercity bus service, school bus service, taxi cabs, jitneys, and limousines. Develop recommendations on the role and use of these other service providers in meeting local and regional transit service needs.”

Mass transportation in Michigan falls under five broad categories: intercity bus service; local public transit service (urban and nonurban); intercity rail passenger systems; statewide ridesharing and vanpooling; and, nonmotorized programs (pedestrian and bicycling).

Roughly 94 percent, or \$428 million, of the federal, state and local appropriations for mass transportation is allocated to the urban and nonurban bus systems in Michigan. Recognizing this fact, the Act 51 Transit Committee was directed by the State Transportation Commission to focus its efforts on reforms and modifications specifically related to urban and nonurban local bus service in Michigan. The Act 51 Transit Committee accepted three detailed charges to address the scope and direction for the committee. The scope of this report will be confined to recommendations emanating from the three charges printed below in their entirety.

### Charge One

**Problem: Limited Operational Service Area** - Public transit agencies are organized under a variety of state acts. The predominate acts being Public Act 94 of 1933, the Revenue Bond Act, and Public Act 279 of 1909, the Municipality Home Rule Act (Public Act 51 provides no authority for organizing transit agencies). These acts restrict service to city or county boundaries plus ten miles. As a result, service is limited by the organizational structure under which transit agencies are established. This geographic restriction negatively impacts the ability of transit agencies to serve destinations outside of their service area and restricts the



ability of the transit agencies to address transportation problems associated with welfare to work, providing services to regional medical facilities, etc.

**The Charge:** Examine the current operating service area structure under which transit agencies operate. Assess what operational factors impede transit agencies from providing service outside their operating service area. Examine the implications of allowing public transit agencies to expand their existing local or county service to regional service. Identify cost savings that could be obtained through the better use of equipment, facilities, dispatch and radio systems, vehicle maintenance, and personnel, under a regional operation. Recommend an approach for expanding transit agencies' service areas to a regional basis, including establishing a transitional plan for a new regional organizational structure. Consider the implications that the existing and regional service can have on intercity bus service, school bus service, taxi cabs, jitneys, and limousines. Develop recommendations on the role and use of these other service providers in meeting local and regional transit service needs. Look at other organization structures, such as combining state transit funding with county road commission funding or with the funds being provided to the cities and villages.

### Charge Two

**Problem:** Different Types of Service - All transit routes, whether providing local city service, countywide service, or regional service, receive the same level of state financial support (up to 50 percent for urban and up to 60 percent for nonurban). From a state perspective, this raises the question if the level of financial support should be the same for those public transit agencies moving passengers within the city limits, as opposed to those public transit agencies moving passengers between cities in the county or the region. Intercity buses, school buses, taxi cabs, limousines, and jitneys do or can provide different types of service that can enhance or compete with service provided by local transit agencies. How should these other services be encouraged?

**The Charge:** In developing a new transit operating assistance formula, take into consideration the type of service being provided, i.e. local, countywide, regional, etc., when considering the level of state financial contribution. Recognize that intercity bus service and school bus service also provide a specific and unique type of service that should be considered in the development of a new transit operating formula. Where the focus is on local or countywide service, shift state financial support from operating to capital support.

### Charge Three

**Problem:** Cost-Based Operating Assistance Formula - The current formula for financing public transit agencies is a cost-based formula. Public transit agencies are paid by the State based on the costs they incur to operate their system, with a maximum state payment of up to 50 percent for urban systems and up to 60 percent for nonurban systems. Under the current

cost-based formula there is no incentive for public transit agencies to operate efficiently or effectively. The more funds a public transit agency spends, the more funds it can receive from the State.

The Charge: Develop a new formula that encourages efficiency and effectiveness, using factors such as cost per mile, cost per hour, passengers per mile, passengers per hour, vehicle maintenance, customer service, and local share. Consider other independent oversight mechanisms, such as performance audits, as a means to insure that public transit agencies' operations are being managed efficiently and effectively.

### Committee Goals

From the three charges, the Committee prepared nine goals to focus the work of the Committee.

1. Develop the most efficient and effective mass transportation network for the citizens of Michigan.
  - A. Support Michigan's mass transportation system so that mass transit is a positive modal choice for more users/customers.
  - B. Support a mass transit system that better serves more transit dependent people.
2. Support programs that improve intermodal and regional connectivity.
3. Continue to maximize the return of federal tax dollars.
4. Improve efficiency in the delivery of mass transportation services at the state and local levels.
5. Improve effectiveness in the delivery of mass transportation services at the state and local levels.
6. Improve coordination in the delivery of transportation services by public and private transit providers.
7. Identify, coordinate and consolidate, where feasible, funding sources from all state agencies and private entities while reducing duplication of services and their associated costs.
8. Require locally derived income from public and private sources commensurate with the benefit to the local community.
9. Foster competition and efficiencies in the delivery of transit services through competitive bidding.

## **Act 51 Transit Committee Recommendations**

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### Act 51 Formula Changes

The Act 51 Transit Committee recommends that the Legislature replace the current Act 51 cost-based transit operating assistance formula with a formula based on service needs, cost-efficiency and effectiveness factors.

The current formula for financing public transit agencies is a cost-based formula. Public transit agencies are subsidized by the State based on the costs they incur to operate their systems, with a maximum state payment of up to 50 percent of costs for urban systems and up to 60 percent for nonurban systems. Under the current cost-based formula there is little incentive for public transit agencies to operate efficiently or effectively. The more funds a public transit agency spends, the more funds it can receive from the State.

A new Act 51 transit formula, as recommended by this Committee, would incorporate the following provisions:

1. **A new base funding level<sup>1</sup> shall be employed to distribute funds between or among service types, based on population and population density within the areas.**
2. **The formula shall be based upon an initial base funding level<sup>2</sup> of 75 percent of Act 51 transit funds, declining over a five-year period to 50 percent, based on population and population density within the transit service area. Fifty percent of the balance of Act 51 transit funds shall be distributed each year based on**

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<sup>1</sup> **Base Funding Level** is 50 percent of the funds allocated annually to the comprehensive transportation fund (CTF) by the Legislature for funding urban, mid-size urban, and rural mass transit agencies statewide. The allocations will be based on population and population density as determined by the United States Census Bureau and annually updated by the Department of Management and Budget. Allocations will be consistent with federal distributions.

<sup>2</sup> **Initial Base Funding** is the five-year phase-in funding strategy for allocating a portion of CTF revenue to urban, mid-size urban, and rural transit agencies. The initial base funding allocation will be 75 percent of the CTF as budgeted by the State Legislature based on population and population density consistent with federal distributions. The initial base funding to all agencies under the phase-in period will be reduced 5 percent per year until the strategy reaches the ultimate goal of 50 percent per year base funding level.

**cost-efficiency<sup>3</sup> factors and 50 percent based on effectiveness<sup>4</sup> factors. The factors utilized to determine the effectiveness of a transit agency in providing services shall be based primarily on the level of locally-derived income<sup>5</sup> collected and expended on services within the agencies service area and, as well, a measure of how well the transit dependent<sup>6</sup> and aggregate potential population in the agency's service area are being served.**

- 3. Since a new formula may have negative financial impacts on some transit agencies it is recommended that the Legislature make transitional funds available to allow an orderly transition which accounts for a reduction in base funds over a three-year time period.**
- 4. Transit agencies shall be given the flexibility to use state transit funding for both operating assistance and capital investments.**

Replacing the existing formula could negatively impact some transit agencies. For this reason, the Committee recommended that the Legislature provide funding to reduce the

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<sup>3</sup> **Cost-Efficiency** is simply output divided by input and can be measured by cost per mile, cost per hour, passengers per mile, passengers per hour, and revenue per mile. The committee spent extensive time discussing how to measure efficiency. It was concluded that efficiency within a transit system cannot be measured exactly across all systems because of variables such as square miles within a transit system and type of service provided (line-haul, paratransit, demand-response, etc.). It was concluded that efficiency factors should be defined jointly by MDOT and transit providers in order to develop formula factors that can be applied fairly to all transit systems in the state.

<sup>4</sup> **Effectiveness** is defined by the committee as primarily a measure of locally-derived income (LDI), and to a lesser degree the ability of a system to serve its aggregate potential populations. The perceived effectiveness within a transit jurisdiction will directly impact the level of LDI. If a system is not effective, it will not be supported by the community in the form of tax revenues, private support and/or patronage. The committee discussed the limitation of using a single component, i.e. LDI, to measure effectiveness, as a premise for awarding 25 percent of a system's funding. Because LDI alone might not be a significant enough measure, the committee agreed that, to a lesser extent, the ability of a system to serve its most transit dependent population and its aggregate potential populations should be at least a consideration in the 25 percent calculation (redemption of vouchers being one example of a measure outside LDI). The redemption of the voucher is an example of a market-driven activity that can augment measuring when used in conjunction with the LDI in measuring effectiveness.

<sup>5</sup> **Locally-Derived Income (LDI)** is the sum total of all the funding generated within the defined jurisdiction of a transit system which includes, but is not limited to local general revenues, millages, farebox revenues, private contributions, and voucher redemptions.

<sup>6</sup> **Transit Dependent** is a term defined in federal and state statute that essentially is applied to those individuals whose mobility is dependent upon publicly or privately provided transportation and do not, or cannot, provide that transportation for themselves.

adverse impact agencies may experience during a three-year phase-in period. Any agency whose budget is reduced by the new formula would receive no less than 90 percent of the previous year's subsidy during the phase-in period. After three years, agencies would have to improve their efficiency and effectiveness or ultimately risk losing state funding. The committee emphasized the importance of some type of sensitivity analysis<sup>7</sup> to determine the impact of a new formula on all agencies.

The Committee discussed the current problems associated with mandating operating and capital expenditure amounts for transit agencies. The consensus of the Committee was to permit agencies to determine the most appropriate allocation of their revenues. If the State will be requiring transit agencies to move toward becoming more efficient, the decisions for operational and capital allocations should logically rest with the agencies themselves.

#### Efficiency and Effectiveness

- 5. Any efficiency factors agreed to by MDOT and the transit industry shall be based on the concept that efficiency is defined as output divided by input. Effectiveness shall be based primarily on locally-derived income (LDI).**

Early in the formal hearing process, the Committee looked at establishing specific criteria that could be used to measure an agency's cost-efficiency and effectiveness. The Committee looked at other states and heard the department's recommendations. Measures considered were cost per mile, cost per hour, passengers per mile, and passengers per hour. Other factors such as locally-derived income (LDI), urban versus rural systems (peer groups), and total system miles were discussed as variables that could be considered in instituting a system of measuring cost-efficiencies and effectiveness. It was the decision of the Committee that the agencies and the department should come to a consensus on what constitutes a fair measurement of efficiency. The measure of effectiveness would be determined by LDI and, to a lesser extent, the ability to which a transit agency serves its transit dependent and aggregate potential populations.

- 6. MDOT shall reduce the administrative costs for the Bureau of Urban and Public Transportation (UPTRAN) to "best in class" when compared to other state programs similarly structured.**

UPTRAN provided a detailed analysis comparing administrative costs in Michigan to other states (Illinois, Indiana, Iowa, Minnesota, Missouri, Ohio and Wisconsin). UPTRAN provided this information to demonstrate that their administrative costs were in line with the average for

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<sup>7</sup> **Sensitivity Analysis** is a method by which the impact of specific change, or set of changes, in public policy or funding strategies that might adversely impact a transit agency's ability to survive is assessed. This methodology permits policy makers to thoroughly evaluate the impact of a proposed change before instituting the change.

states in the comparison. The analysis compared local public transit programs, budgets and staffing levels. Non-public transit services and related staffing such as rail, intercity bus service and limousine regulation were not considered so a true comparison could be made.

The range of administrative costs were from \$3.7 million (Michigan) to \$400,000 (Wisconsin). While Michigan's costs were the highest, when you compared their administrative costs as a percentage of total cost, Michigan at 1.7 percent was much lower than most other states. The committee felt that even though Michigan's program is far more comprehensive than other states, Michigan should never view itself as average, and should instead be the *best in class* among comparable states with similar programs.

Committee members discussed that Michigan provides more regulation than other states. One way Wisconsin's costs are kept lower is because they do not participate in the capital program of locals. The state passes capital funds on to the locals, but does not attempt to manage the capital program. Michigan does a lot of things to oversee its programs that Wisconsin does not, and this is why Michigan's administrative costs are higher. The committee recognized that administrative costs are essential expenditures and to cut these costs too severely, or too quickly, could jeopardize programs.

UPTRAN's data indicates that Wisconsin, when measuring FTE's and total administrative costs in relation to the total budget and service provided, is currently *best in class*. In order for UPTRAN to be competitive with Wisconsin and become *best in class*, they must reduce administrative costs by approximately half.

### Regionalization

- 7. Provide financial incentives to transit systems to establish coordinated regional services where the demand for such services exists. Funding for the incentives shall come from sources other than current state operating formula assistance funds. It is not the intent of this committee to duplicate services.**
- 8. The Detroit Department of Transportation (DDOT) and the Suburban Mobility Authority for Regional Transportation (SMART) shall develop a coordinated regional transit system to better serve the Detroit metropolitan area more effectively and efficiently.**

Testimony presented to the Committee concerning the need for better coordinated service, and more frequent and timely service, particularly for Detroit residents working in Oakland and outlying counties, emphasized the urgency for a system merger in Southeast Michigan. With 74 percent (\$88 million) of the \$119.2 million allocated for urban systems, spent in the DDOT

and SMART regions, the greatest opportunity for efficiency and effectiveness improvement exists within this region.

The Committee was clear throughout hearings that systems need to explore and encourage regional services throughout the state. The Committee did not, however, recommend required regionalization.

If two or more agencies decide to initiate regional service, funds should come from a different financial source than current operating formula funds. The Committee did not want to penalize agencies already providing efficient and effective service if they chose not to explore or implement a regionalized service. The Committee indicated that if the political, social or geographic nature of a region was not conducive to regionalization, agencies should not be punished by losing the ability to capture efficiency and effectiveness incentive money. The Committee discussed duplicate services and agreed on language to discourage “duplicate services.” It was recognized by the Committee that they had no way of determining if duplicate services were happening, but that the measures of efficiency and effectiveness will impact and discourage duplicate services and routes.

**9. Require a competitive bidding process for the delivery of new regional transit services to ensure that private and inter-city carriers have the opportunity to provide those services.**

The intercity bus representatives (Greyhound and Indian Trails) testified that state subsidies for certain rail operations have decreased their revenue over a parallel route by as much as 21 percent. They argued that before the state enters into any subsidy agreements with private carriers or regional public carriers, consideration should be given to competitively bidding the service.

Greyhound and Indian Trails representatives stated that a system that would permit local transit agencies to regionalize services could further damage their ability to operate as a private carrier. They agreed with other private carriers who felt strongly that if a regionalized service is being contemplated in a region, private carriers should be allowed to bid on the service as a fairness issue. The two carriers submitted 12 ideas or recommendations (see Appendix F) they believed could be of benefit in restructuring Act 51.

This Committee’s position was that they want to encourage competition, cost efficiencies, and better services to the public without adversely impacting private providers. They supported a competitive process.

Federal Funding

**10. The Michigan Department of Transportation and the transit industry shall continue to work cooperatively to increase federal transit funding to Michigan.**

A representative of the Governor's Washington, D.C., office provided the Committee with insights to even more effectively attract federal transit dollars. The representative told the Committee the Congressional delegation would like to have a strategy from Michigan that assists Congressional members in meeting the needs of the state and their individual districts. In the annual federal budget deliberations, Michigan transit interests should be fighting to get a fairer share of the federal capital funds but should not engage in competing among one another.

**11. The local transit agencies shall provide matching funds for federal transit capital grants received, as prescribed by federal law.**

Representatives from the transit groups registered their objection to MDOT's proposal requiring a 50-percent match on capital projects. They argued that it would disproportionately penalize smaller systems who would likely use operating funds for capital and thereby jeopardize services. Also, systems would keep buses in service longer thereby compromising their ability to maintain safety, achieve efficiencies and attract riders.

The Committee concluded that transit agencies should provide some measure of their own capital costs, but no consensus was reached as to what the appropriate percentage should be. Instead, the Committee advocates that transit agencies should function like a business, where decisions regarding the allocation of capital and operating funds are made by the agency. Therefore, all capital funds should be allocated to the agency consistent with federal and state guidelines. Additionally, planned capital expenditures will be included in a system's five-year plan and this should sufficiently serve to identify and distribute the funds to meet federal requirements.

Consolidation and Coordination of State Funding for Transit

**12. Consolidate (at least in an accounting process) existing transportation funds from all state departments and agencies, other than MDOT, and distribute such funds to the intended beneficiaries through a voucher<sup>8</sup> system consistent with federal requirements.**

The Committee agreed that funds now allocated to other departments, specifically earmarked for transportation services, should be consolidated into one location and distributed in the form of a voucher through existing channels currently used in the other state agencies. This

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<sup>8</sup> **Vouchers** are certificates provided by a governmental unit redeemable for transportation services. Vouchers could be redeemable through publically or privately (taxis, limousines, jitneys, etc.) provided transit systems. Vouchers are counted as locally-derived income by the transit agency which redeems them with services.



system would foster greater efficiencies and assure transit dependent individuals receive the services they need, when they need them, and from the mode they prefer.

#### Private Sector Role in Public Transit

- 13. The state and transit providers shall establish, or continue to implement, a competitive bidding process for private operators to compete for the provision of existing and new transit services.**

This issue was discussed previously under “Regionalization.” In summary, the Committee believes strongly that there is a private sector role in providing mass transit services. Transit agencies and MDOT should implement competitive bidding processes for existing services and for new services. Intercity and other private carriers should be able to bid on any new regional or statewide transit service.

- 14. Eliminate the Comprehensive Transportation Fund state operating subsidy to AMTRAK and make the funds available to local transit agencies.**

The Committee expressed concern with the state’s practice of providing operating subsidies to rail, bus, and transit operators on parallel corridors. This practice is inefficient and does not contribute to a level playing field for private providers. The intercity carriers argued that subsidies to AMTRAK have resulted in as much as a 21 percent loss in revenues for carriers along the subsidized AMTRAK route. These losses have resulted in a decline of intercity bus services in the state, and weakened the carriers’ ability to compete.

#### Other Recommendations

- 15. Transit agencies shall conduct periodic assessments of unmet transit needs within their communities and regions.**
- 16. Transit agencies receiving state transit funds shall develop five-year plans complete with goals and objectives that identify unmet transit needs regionally and within defined service areas. The State Transportation Commission (STC) should form a standing committee to periodically review and evaluate the revised transit funding mechanism and how well agencies are progressing in achieving goals and objectives. A standing committee of the STC should require UPTRAN to develop and publish an evaluation and reporting process that allows the taxpayers and the transit operators to see how the transit agencies do in efficiency and effectiveness measures.**

Throughout the public hearing process committee members repeatedly heard from the public, other states, and Michigan agencies concerning the importance of planning and oversight for

mass transportation providers. Under the current cost-based formula for funding mass transportation, 72 local transit service providers operate as almost independent agents in their service areas. Millages and other locally-derived sources of income make it difficult for agencies to look beyond their boundaries when planning. Consequently, mass transportation is often fragmented, duplicated and lacks statewide coordination.

The Director of Transportation Planning for the Southeast Michigan Council of Governments (SEMCOG), told the committee that each transit operator should work with the Bureau of UPTRAN to set goals for itself and develop a five-year systems operation plan with goals along the way so that transit dollars available can be related to each transit operator's ability to meet their own goals.

The committee looked at other states and how they manage mass transportation services. In Iowa, it was learned that a transportation coordination council was created involving the Iowa Department of Transportation, the Department of Human Services, and the Department of Education to plan and coordinate transit services.

Indiana divides their systems into four peer groups to make systems equal within peer groups. This method required a certain level of oversight by the state.

Maryland does it a little differently. They have seven modal administrations within the state. For planning purposes, the state is divided into six regions. At the state level, the Governor issued an executive order to establish a state coordinating committee for human service transportation to assure specific population segments have representation.

The Michigan Public Transportation Association (MPTA) reported at the October 13, 1999, meeting that data related to performance is currently collected and submitted to MDOT. MPTA believes the data collection process breaks down because no one knows what criteria are being looked at from the data currently submitted. It would be helpful if there were goals based on those performance indicators so MPTA would know if they were achieving goals set by MDOT.

At the same meeting, a spokesperson for MASSTrans said there is a problem with regionalization in that local residents (who support mass transit with a millage) do not want to fund service in other areas. It would be beneficial if the state could provide an incentive for regionalized service. Comments supported the need for a statewide perspective on mass transportation. MASSTrans is currently working with ten counties to look at regional service. There appeared to be a need for a broader focused body to assist smaller agencies garner support for regional service, and to look at the issue of providing incentives. It was suggested that the goal of every system is to be responsive, but most systems prioritize service with the highest priority given to the regular riders. This is necessary because of the local support issue.

A representative from the Area on Aging 1B asked the committee, once recommendations are developed, to put a process in place for agencies to review the recommendations and analyze the impacts with regions. There needs to be a system of constructive feedback before issues are translated into legislative language. It was also stated that people do not call transit authorities any more because they know they have limited abilities to address individual needs. A statewide committee of mass transit providers and state government representatives would provide a forum for the transit dependent and other potential transit users to come together to advocate for transit and make sure concerns are being addressed.

The Michigan Rehabilitation Services, Michigan Department of Career Development, supported the suggestion that committees like the Act 51 Transit Committee provide an opportunity to reevaluate grants and services and develop an equitable community plan to serve all special groups, including people with disabilities and other groups.

At the November 24, 1999, meeting MDOT's chief administrative officer reported that one of the recommendations in MDOT's proposal, endorsed by the Governor, was to develop a method to provide transit planning from a regional perspective. It was noted there is a need for a series of management reforms to reach goals and reenforce the partnership between the state and transit agencies.

## Context

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### The Present

#### Comprehensive Transportation Fund (CTF) Distribution

Article IX, Section 9, of the Michigan Constitution requires that motor fuel taxes and vehicle license and registration fees, less collection expense, be used for transportation purposes. The Constitution further provides that not more than ten percent of motor fuel taxes and vehicle registration fees may be used for public transportation programs.

The Michigan Transportation Fund (MTF) is the primary collection/distribution fund for state-generated, restricted transportation revenues. Act 51 provides that 10 percent of MTF revenues, after deductions for administration, debt service, and other statutory earmarks, be allocated to the CTF. The most significant of these statutory earmarks is the dedication of 4 cents of the 19 cents-per-gallon gasoline excise tax, \$195.6 million in fiscal year (FY) 1999-2000, to road and bridge programs. As a result of these statutory deductions, the effective allocation percentage to the CTF in 1999, is approximately 8 percent of MTF revenue.

The MTF transfer to the CTF is estimated to be \$151.1 million in FY 1999-2000 and represents approximately 70 percent of CTF revenues. If Act 51 were amended to provide for the CTF to receive its 10 percent share of MTF revenues prior to other statutory deductions, the CTF would receive an additional \$31.6 million based on current FY 1999-2000 budget estimates. However, this additional revenue for the CTF would come at the expense of state and local road and bridge programs, which are also funded from the MTF distribution.

Article IX, Section 9, of the Michigan Constitution provides that not more than 25 percent of the state's general sales tax on motor vehicle related products (motor fuels, motor vehicle sales, cars and trucks, and motor vehicle parts and accessories) shall be used for comprehensive transportation purposes.

Section 25 of the General Sales Tax Act (MCL 205.75) provides that not less than 27.9 percent of 25 percent of the sales tax collected at 4 percent on the sales of motor vehicles, motor fuels, and motor vehicle parts and accessories is to be credited to the CTF. The effective rate for this allocation is 4.65 percent of the sales tax on motor-vehicle-related sales (for every \$1.00 of sales tax collected on automotive products, 0.0465 cents is credited to the CTF) (example: a \$1,000 motor-vehicle-related sale generates \$60 in sales tax; this provides a \$2.79 credit to the CTF). The current statutory distribution of 4.65 percent of the motor-vehicle-related sales tax to the CTF is below the 25 percent constitutional limitation.

Revenue from the motor-vehicle-related sales tax has ranged from \$55.6 million in FY 1994-1995 to \$60.3 million in FY 1997-1998. Current Michigan Department of Treasury estimates

are \$63.2 million for FY 1998-1999 and \$63.4 million for FY 1999-2000. The growth of this revenue source has been relatively modest, particularly in relation to the strong economy and in comparison with the growth of general fund revenue sources.

See Appendix I for flow chart detailing CTF distributions.

### State Transit Operating and Capital Program

The State of Michigan is in the top ten states, nationally, providing capital and operating funds to 72 transit agencies statewide. State funds combined with federal and local funds total over \$400 million annually. As shown on Chart 1 (Appendix H), \$321 million, or 80 percent, of these funds are used to support day-to-day operations of the local transit agencies. Seventy-seven million dollars, or 20 percent, is used to support the infrastructure needs of the transit agencies including buses, support equipment, and facilities. Most of the capital needs are funded with 80 percent federal funds and 20 percent state funds.

The following large urban agencies included in Chart 2 (Appendix H) are providing primarily fixed-route services, plus significant paratransit and Americans With Disabilities Act (ADA) service: Ann Arbor Transportation Authority (AATA), Capital Area Transportation Authority (CATA), Detroit Department of Transportation (DDOT), Flint Mass Transportation Authority (MTA), Grand Rapids Area Transit Authority (GRATA), and Suburban Mobility Authority for Regional Transportation (SMART).

It should be noted that in fiscal year 1998 only two percent of operating costs were covered by federal funds. The large urban agencies can no longer use federal formula funds to support operations. However, they can charge their bus maintenance operating expenses to the federal capital program. For the large urban agencies, the focus of the federal funding is on the capital side and MDOT has provided the 20 percent match.

The following mid/small urban agencies included in Chart 3 (Appendix H) are providing a combination of fixed route, paratransit, and ADA service: Battle Creek Transit, Bay Metro Transit Authority, Blue Water Transportation Commission (Port Huron), Holland, Jackson Transportation Authority, Kalamazoo Metro Transit System, Muskegon Area Transit System, Niles, Saginaw Transit System Authority, Twin Cities Area Transportation Authority (Benton Harbor).

Unlike the large urban agencies, these agencies are able to use their federal formula funds for capital or operating. Thus, a significant portion of their operating budgets are covered by federal funds.

Fifty-six nonurban agencies are included in Chart 4 (Appendix H). These agencies are statewide and consist of a variety of multi-county, county, small city and township systems.

These agencies provide primarily demand-response (door-to-door) service with some fixed route service.

### Federal Program

Transit, like all public services and many private segments of the United States' economy, receives governmental financial assistance. Governmental aid comes in two forms: general appropriations taken from all funds received, and funds specifically dedicated to transit by law such as a one-half-cent sales tax or a one-cent gas tax.

While transit assistance is explicitly identified in governmental budgets and appropriations, governmental assistance to many other segments such as automobile owners, is largely indirect and not identified as such. Examples are the large tax write-offs that total several thousand dollars per year for employer-provided, or paid parking, and the hidden costs of highways (parking lots and garages, maintenance, police, insurance, licensing, etc.) that are paid by virtually all taxpayers rather than just the users of the highways.

Part of the governmental assistance to transit is required to cover a government-induced gap between expenses and funding. Numerous federal regulations and court decisions required the provision of services for the aged and disabled. Most of these are operated as expensive demand-response service and wheelchair-accessible buses and rail vehicles. Regardless of these requirements, the regulations require reduced fares for the aged and disabled during off-peak periods.

Additional regulations regarding low-polluting bus engines, safety features, etc., also lead to more expensive vehicles and operating practices. Large transit agencies also require extensive security forces because of the huge number of people who patronize them.

Another reason for public assistance is that transit is considered a necessary public service. Transit agencies must operate non-profitable routes, sometimes even during late-night hours.<sup>9</sup>

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<sup>9</sup> American Public Transit Association, Transit Fact Book, 1201 New York Ave., N.W., Washington, D.C., Jan. 1999, p. 14.

The table below indicates the federal allocation of funds by transit type.

TABLE 12  
FEDERAL TRANSIT ADMINISTRATION<sup>10</sup>

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FY 2000 APPORTIONMENT FORMULA FOR FORMULA PROGRAMS

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Percent of Formula Funds Available

Section 5310:	2.4%	State - allocated to states based on state's population of elderly and persons with disabilities
Section 5311:	6.37%	Nonurbanized Areas - allocated to states based on state's nonurbanized area population
Section 5307:	91.23%	Urbanized Areas (UZA)

UZA Population and Weighting Factors

50,000-199,000 in population: (Apportioned to Governors)	9.32% of available Section 5307 funds 50% apportioned based on population 50% apportioned based on population x population density
200,000 and greater in population: (Apportioned to UZAs)	<p>90.68% of available Section 5307 funds</p> <p>33.29% (Fixed Guideway Tier*)</p> <p>95.61% (Non-Incentive Portion of Tier)</p> <p>- at least 0.75% to each UZA with commuter rail and population 750,000 or greater</p> <p>60% - fixed guideway revenue vehicle miles</p> <p>40% - fixed guideway route miles</p> <p>4.39% ("Incentive" Portion of Tier)</p> <p>- at least 0.75% to each UZA with commuter rail and population 750,000 or greater</p> <p>- fixed guideway passenger miles x fixed guideway passenger miles/operating cost</p> <p>66.71% ("Bus" Tier)</p> <p>90.8% (Non-Incentive Portion of Tier)</p> <p>73.39% for UZAs with population 1,000,000 or greater</p> <p>50% - bus revenue vehicle miles</p> <p>25% - population</p> <p>25% - population x population density</p> <p>26.61% for UZAs population &lt; 1,000,000</p> <p>50% - bus revenue vehicle miles</p> <p>25% - population</p> <p>25% - population x density</p> <p>9.2% ("Incentive" Portion of Tier)</p> <p>- bus passenger miles x bus passenger miles/operating cost</p>

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\* Includes all fixed guideway modes, such as heavy rail, commuter rail, light rail, trolleybus, aerial tramway inclined plane, cable car, automated guideway transit, ferryboats, exclusive busways, and HOV lanes.

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<sup>10</sup> Federal Register/Vol. 64, No. 208/Thursday, October 28, 1999/Notices, p. 58261.

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### Effects of Fare Increases on Ridership

According to the American Public Transit Association (APTA), Transit Fact Book, there is a direct relationship between transit fares and ridership. An APTA study, “Effects of Fare Changes on Bus Ridership,” (May 1991), found that on the average, a ten-percent increase in bus fares would result in a four-percent decrease in ridership.<sup>11</sup>

## **The Past**

### National Perspective

The history of mass transportation in the United States dates back to 1827 when the first horse-drawn carriage or “omnibus” began carrying passengers in New York City. The service known simply as “accommodation” was started by Abraham Brower.

From this humble beginning 173 years ago, public transit experienced almost continuous growth until 1946 when mass transit ridership had grown to an all-time national high of 23.4 billion passengers. This record established in the last year of World War II was due mostly to the military restrictions on travel, and gasoline rationing. By the 1950s, ridership had begun to declining rapidly as personal income grew. More disposable income made it easier for a growing number of Americans to own personal automobiles. Correspondingly, gasoline prices dropped making it even more economical to purchase fuel. As more and more Americans purchased automobiles it became more appealing to live outside the city and commute to work. The rapid expansion of the suburbs left inner cities decimated.

In the 1960s, Congress passed the Urban Mass Transportation Act (UMTA) to coordinate capital assistance for transit. In 1965, Congress authorized creation of a cabinet-level department of transportation. It was not until 1970 that the first use of state funds to match federal transit funds was initiated. Roughly \$2.1 million in federal transit funds were available that year.

The Arab oil embargo against the United States in the 1970s created a major gasoline shortage and subsequently mass transit ridership surged again. Congress, in an unprecedented move, tapped the Highway Trust Fund for \$1 billion to meet the growing demand for public transit.

In the 1980s the American economy entered a period of unchecked growth. The popularity of the automobile continued to grow and fuel prices remained low. By 1995, federal, state and

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<sup>11</sup> American Public Transit Association, Transit Fact Book, 1201 New York Ave., N.W., Washington, D.C., Jan. 1999, p. 16.



local government contributions had reached \$23.5 billion for both capital and operating assistance for mass transit (includes commuter rail, light rail and heavy rail). State and local government provided roughly 73 percent of the capital and operating assistance for public transportation. Only 25 percent of the cost (approximately \$6 billion) was now being provided by the federal government. Roughly 59 percent of expenditures nationally were allocated to motor bus systems.

According to the American Public Transportation Authority (APTA), transit ridership in the United States is currently experiencing growth when all forms of mass transportation are included. All modes, according to APTA, showed increases during the third quarter of 1999 led by heavy rail which was up 5.8 percent. Light rail and small bus systems showed growth of over 5 percent. Mid-size bus system ridership increased 4.75 percent, followed by demand-response service (4 percent), trolleybus (3.7 percent), large bus systems (3.3 percent), and commuter rail (3.2 percent).

APTA reported that 8.7 billion trips were taken utilizing public transportation in 1998. William W. Millar, president of APTA, equates the growth to mass transit systems becoming an increasingly more attractive alternative to the automobile.

The United States Department of Transportation in their 1997 status report, Nation's Surface Transportation System, Conditions & Performance, recognized that public transit performs three public policy functions: managing traffic congestion, providing access through affordable transportation, and supporting transit and pedestrian-oriented development.

### Michigan Perspective

The first fixed-route bus transportation operation initiated in Michigan was in Detroit in 1925. The state did not get involved in funding mass transportation in Michigan until 1971 when the first urban "dial-a-ride" service was implemented in Ann Arbor. By 1972, Michigan passed a transit package calling for a one-half-cent set-aside of the nine-cent gas tax for public transportation. Act 51 of the Public Acts of 1951 was amended to create the general transportation fund.

In 1978, the second Michigan transit package passed authorizing up to ten percent of the gas and weight tax for public transportation programs. Also, a portion of vehicle-related sales tax was earmarked to public transit. Also in 1978, Public Act 140 passed to amend Act 51 to require wheelchair lifts on all fixed-route buses purchased, leased or rented. As part of this act, the local advisory councils (LAC) were established for the purpose of reviewing and commenting on accessibility plans for transit providers.

By 1980, Michigan's nonurban ridership had grown to over four million passengers per year. By the late 1980s, federal funding was declining putting more of the burden on state and local providers to provide funds.

Today there are 150 regular route and charter carriers licensed in Michigan with 2,850 buses registered to operate. There are 362 licensed limousine companies with 1,350 licensed limousines. The Michigan Department of Transportation supports two intercity bus routes (Grand Rapids to St. Ignace, and Bay City to St. Ignace) which carries 30,940 passengers. The Michigan Department of Transportation subsidizes heavy rail (AMTRAK) service between Chicago and Grand Rapids.

The Michigan Department of Transportation, under authority from the federal government, administers federal and state funds for public transportation in Michigan. In 1998, total operating and capital assistance for local bus service from all sources (federal, state and local) reached \$428,520,798. These funds were distributed in 83 counties supporting roughly 85 million rides in 1998 on 16 urban systems and 56 nonurban systems. Today, 47 of the 72 public transit agencies are locally supported by property tax millage. The remainder are supported by local general funds. Forty one and one-half percent (\$177,766,779) of the total local bus funding is provided through state sources while the balance is derived from local millages, farebox revenue and federal allocations.

From 1991 to present, Michigan contribution for mass transportation has remained consistent at about 40 percent, ranging from a low of 38.4 percent in 1991 to a high of 51.5 percent in 1998.

The state gasoline tax of 19-cents-per-gallon, auto-related sales tax, and vehicle licenses generated Comprehensive Transportation Fund revenues of \$198.4 million in fiscal year 1997. From the federal gas tax of 18-cents-per-gallon, the mass transit account (MTA) receives two cents. Michigan receives 53 percent back from the MTA.

The state formula for distribution of transit dollars is administered by MDOT's Bureau of UPTRAN. The formula is contained in Act 51 of the Public Acts of 1951. This act will sunset September 30, 2000, leaving MDOT with no statutory authority to allocate funds outside payment of debt service.

## **The Future**

Improved mass transit is considered critical by the private sector to a good quality of life in Michigan, especially in Southeast Michigan. Mass transportation is critical to the economic vitality of Michigan, which needs dependable linking of employers and employees.

In the Detroit area, for example, the Southeast Michigan Council of Governments (SEMCOG), Metropolitan Affairs Coalition (MAC), which is a public/private regional affairs coalition, and the Greater Detroit Chamber of Commerce are partnering in a transit study with a vision proposal called TransitChoice. Basically, TransitChoice is a market-driven approach using a mixture of vehicles for today's dispersed and complicated travel patterns and use of innovative technologies such as automatic vehicle location, customer information systems,

computer-assisted dispatching and cashless farebox collections. TransitChoice examines the possibility of gaining efficiencies through combining of like services currently being provided independently by both transit operators in the area.

Most experts agree that baby boomers are likely to remain mentally and physically vigorous well beyond age 65, and thousands of boomers can expect to live well past 100. Every seven seconds one of the 77 million people born between 1945 and 1964 turns 50. By 2025 there will be more than 60 million Americans who are 65 years old, more than twice the number in 1990, representing 17 to 20 percent of the population.

In 1999, the United Nations' "Year of the Older Person," the challenge to the transportation community was to understand and to respond to the changing mobility needs of not only the one-in-five people who will be over age 65, but the faster growing group over 85 years old.

Keeping mobile will be a problem for America's aging population. To ensure the generation does not become isolated and traumatized by diminishing physical and mental acuity, aging baby boomers will likely exert influence on policymakers to protect mass transit systems. Demand-response or "paratransit" door-to-door service may be the appropriate model for senior baby boomers. Unfortunately, presently operating public paratransit is often unreliable, difficult to schedule and to dispatch.

To meet mass transportation needs in the future, an integrated plan of strategies, including improvements for all modes of travel, supportive land-use patterns, and travel-demand management will be necessary. An example might be the Bus Rapid Transit System in Eugene, Oregon, where the use of traffic signal priority, queue jumpers, busways and guideways permit efficient mass transit. The system works by utilizing feeder buses (small neighborhood-friendly buses) that pick up passengers in residential areas and travel to nearby shopping areas, schools, and other key destinations. The feeder buses also take passengers to a main corridor station where an express bus will take riders to major populations and employment centers. Passengers can drive their personal vehicles to one of the park-and-ride lots and catch an express bus to work and still have their own vehicle available after the return trip.

These and other types of innovative approaches to mass transit will shape the future of systems in the new century. Most studies agree that mass transportation will continue to play a major role in moving large numbers of individuals efficiently; however, systems will have to be clean, efficient, convenient and cost-effective to continue to attract riders. Public ground transportation is about people and it has been projected that 25 billion passengers, more than four times the work's population, will travel more than 186 billion passenger miles this year (2000) on mass transit in the United States, Canada and Mexico. Those passenger miles are equivalent to 389,365 round trips to the moon.<sup>12</sup>

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<sup>12</sup> Passenger Miles in 2000, Industry Data, p. 11, Metro 2000 Fact Book Issue, A Bobit Publication (Source: American Association of State Highway and Transportation Officials, et. al.).

## Appendices

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### APPENDIX A

#### ACT 51 TRANSIT COMMITTEE MEMBERS

**John C. Kennedy**, Committee Chairman, is from Kentwood and is the owner of Autocam Corporation, Conway Products, and Autocam Acquisitions. He served as chief financial officer of Autodie Corporation from 1982 to 1988, when he acquired Autocam. Mr. Kennedy serves on the executive committee of Mercy Respite Center and has also served as president of its board of directors. He served two terms on the board of directors for the Grand Rapids Urban League and is currently on the board of Blodgett Memorial Medical Center. Mr. Kennedy was appointed to the State of Michigan Board of Ethics in 1990. In 1991, Mr. Kennedy received the Leadership Award given by the Grand Valley State University Foundation. In 1992, he was honored with the Jaycees Five Outstanding Young People of Michigan. He received his bachelor of science degree in accounting and finance from the University of Detroit in 1979.

**Lowell B. Jackson**, Committee Vice Chairman and current member of the State Transportation Commission, is from Northport and is a semi-retired consultant. He served as vice president and principal-in-charge of transportation, traffic engineering and planning, structures and mapping for Greenhorne & O'Mara, Inc., from 1989 to 1995, deputy administrator of the Federal Highway Administration in 1988, executive director of the Colorado Department of Highways in 1987, secretary of labor for the Wisconsin Department of Industry, Labor and Human Relations from 1981 to 1982, and secretary of transportation for the State of Wisconsin from 1979 to 1981, and from 1983 to 1986. Mr. Jackson also served on the engineering faculties of Purdue (1957-1965) and Wisconsin (1965-1978), and the National Transportation Research Board's executive committee in 1987.

**Bill Hardiman** is from Kentwood and has been mayor of Kentwood since 1992. He has served on the board of directors of the Grand Rapids Transit Authority, the Grand Rapids Fair Housing Center, Michigan Municipal League, and United Way of Kent County; and is currently serving on the boards of the Grand Valley Metropolitan Council, the Kentwood Foundation, Spectrum Health Services, the Grand Bank, the Crime Victim Foundation, and the Grand Valley State University Foundation. Mr. Hardiman is one of the founders and the current chairman of the Greater Grand Rapids Community Marriage Policy Steering Committee. He has received several awards including the United Way of Kent County Volunteer Award, 1998 Giants Award, 1998 National Association of Home Builders Annual Local Official of the Year, and was appointed to Governor Engler's Secchia Commission on Total Quality Government. Mr. Hardiman holds an associate of arts degree from Grand Rapids Junior College, a bachelor of science degree from Grand Valley State University and a master's degree of public administration from Western Michigan University.

**Denise Knobbloch** is from Farmington Hills and is executive vice president of human resources and administration at Compuware Corporation where she has been employed for

12 years. Prior to joining Compuware, she was employed by the Detroit Free Press as a manager in the circulation department. Ms. Knobbloch holds a baccalaureate degree in business administration from Mercy College of Detroit.

**William C. Taylor** is from East Lansing and is a professor in the Department of Civil and Environmental Engineering, and adjunct professor of Urban Affairs Programs at Michigan State University. His past experience includes professor and chairperson of the Department of Civil and Environmental Engineering, acting associate dean for research and graduate studies in the College of Engineering at Michigan State University; executive director of the Interagency Transportation Council for the State of Michigan; associate professor of the Department of Civil Engineering at Wayne State University; traffic research engineer for the Ohio Department of Highways; research associate and part-time instructor for the Department of Civil Engineering at Ohio State University; instructor for the Department of Civil Engineering at Fenn College; and traffic engineer for the City of Cleveland, Ohio. Dr. Taylor received the Outstanding Engineering Achievement Award from the Michigan Society of Professional Engineers in 1992; the Individual Long Term Traffic Safety Achievements Award from the Michigan State Safety Commission in 1993; and the Ralph H. Smuckler Award from the Michigan State University International Studies and Programs in 1993. Dr. Taylor holds a doctor of philosophy degree in civil engineering from Ohio State University, and master of science and bachelor of science degrees in civil engineering from the Case Institute of Technology.

**Frank D. Stella** is from Detroit and is the founder, chairman and chief executive officer (CEO) of F.D. Stella Products Company. He is also chairman and CEO of Stella International in New York and is a member of the board of directors of Metropolitan Realty Corporation. Mr. Stella has served as a board member of the University of Detroit/Mercy, Wayne Community College Foundation, Mt. Carmel Mercy Hospital, Sacred Heart Rehabilitation Center, Detroit Round Table, Detroit Urban League, Rehabilitation Institute Center for Independent Living, vice chairman of Community Foundation of Southeast Michigan, and vice chairman of Grace Hospital of Detroit. Other organizations he has served with include the Federal Home Loan Bank of Indianapolis, Greater Detroit Chamber of Commerce, Michigan Chamber of Commerce, New Detroit, Economic Alliance for Michigan, the Economic Growth Corporation, Economic Club of Detroit, the City of Detroit Income Tax Board of Review, National Shrine of the Immaculate Conception, the National Italian American Foundation of Washington, D.C., Save Orchestra Hall, the Detroit Symphony Hall, and Michigan Opera Theater. Mr. Stella has received several awards including Grande Ufficiale from the Government of Italy, a doctorate in business by the Gentium Pacem University in Rome/Cleary College, the Seal of the University of Bologna, the George Romney Award for Lifetime Achievement in Volunteerism, Knights of Charity Award, Executive of the Year by the Detroit Executive Association, the Governor's Arts and Culture Award, and Civic Leader Award. Mr. Stella holds a degree from the University of Detroit, College of Commerce and Finance.

## **APPENDIX B**

### **SCHEDULE OF MEETINGS**

July 16, 1999 - Lansing  
August 17, 1999 - Grand Rapids  
August 27, 1999 - Lansing  
September 7, 1999 - Detroit  
September 14, 1999 - Lansing  
October 5, 1999 - Traverse City  
October 13, 1999 - Lansing  
October 26, 1999 - Lansing  
November 24, 1999 - Lansing  
January 21, 2000 - Lansing  
February 1, 2000 - Lansing  
February 18, 2000 - Lansing  
March 9, 2000 - Lansing  
April 27, 2000 - Kalamazoo

## APPENDIX C

### MICHIGAN LAWS GOVERNING PUBLIC TRANSPORTATION AGENCIES

**Public Act 7 of 1967, Urban Cooperation Act**, provides for a joint exercise of powers by two or more public agencies in the form of an interlocal agreement to form an authority whose members represent each entity.

Before the agreement is put into effect, it must be approved by the Governor. If it meets the conditions of this act, it is approved and filed with the county clerk of each county, as well as the Secretary of State.

Act 7 is useful in forming a transportation authority between counties, between a county, city and townships, between city and townships, school districts, or combination thereof to provide transportation services. An Act 7 transportation authority has no taxing powers. Millage votes must be placed on the ballot by individual members governmental units. The authority is authorized to operate the mass transportation agency within the boundaries of the city which incorporates the public authority. Other political subdivisions may join the authority by resolution.

**Public Act 8 of 1967, Intergovernmental Transfers of Functions and Responsibilities**, is an act where two or more political subdivisions are authorized to enter into a contract with each other providing for the transfer of functions or responsibilities to one another, or any combination thereof, upon the consent of each political subdivision involved. They can enter into a contract which shall include descriptions of the functions or responsibilities to be transferred, effective date, terms of operation, manner in which employees are affected, manner in which property is transferred, method of financing, and other legal, financial, and administrative arrangements.

**Public Act 35 of 1951, Intergovernmental Contracts Between Municipal Corporations Act**, is an act which authorizes intergovernmental contracts between municipal corporations; and authorizes any municipal corporation to contract with any person or municipal corporation to furnish any lawful municipal service to property outside the corporate limits of the first municipal corporation for a consideration. Municipal corporation means any county, township, city or village, school district, metropolitan district, court district, public authority, or any other local governmental authority or local agency with power to enter into contractual undertakings.

**Public Act 55 of 1963, as amended, Mass Transportation Authorities Act**, is an act that says the legislative body of any city having a population of not more than 300,000 may incorporate a public authority for the purpose of acquiring, owning, operating, or causing to be operated, a mass transportation system. Upon a majority vote of the registered voters

residing in the service area, the authority may levy a property tax not to exceed five mills in the political subdivisions which comprise the authority.

**Public Act 94 of 1933, Revenue Bond Act**, authorizes public corporations to purchase, acquire, construct, improve, enlarge, extend, or repair public improvements including transportation systems. It authorizes the condemnation of property for such public improvements; provides for the imposition and collection of rates for the services, facilities, and commodities furnished by the improvements; provides for the imposition of special assessments against properties benefitted by such public improvements; provides for the issuance of bonds and the levy of taxes without limitation to the extent necessary for the payment of bonds. Public corporation means a county, city, village, township, school district, port district, or metropolitan district of the state or combination thereof.

**Public Act 162 of 1982, Nonprofit Corporation Act**, provides for the creation of private-non-profit corporations. Articles of incorporation must be filed with the Secretary of State and shall include the name of the corporation, purpose, value of any assets, basis for membership, location, names and addresses of all the incorporators, and the duration of the corporation.

**Public Act 196 of 1986, Public Transportation Authority Act**, authorizes the foundation of public transportation authorities by a county, city, village, township, or two or more of these public bodies. Foundation is accomplished by adoption of articles of incorporation and filed with the Secretary of State. The authority may plan, promote, finance, acquire, improve, enlarge, extend, own, construct, operate, maintain, replace, and contract for public transportation services. Public transportation services provided by the authority can be funded by one or more of the following: fares to the users; state, federal and local grants and contributions; ad valorem taxes, special assessments or changes; income tax; bond and notes; contracts or leases; or property tax millage not to exceed five mills.

**Public Act 204 of 1967, Metropolitan Transportation Authorities Act**, is an act in which regional transportation authorities in major metropolitan areas of the state may be established as one or more contiguous counties elected to participate in an authority. Metropolitan authorities created under this act can plan, acquire, construct, operate, maintain, replace, improve, extend and contract for public transportation facilities.

For Southeast Michigan only, the act creates the Regional Transit Coordinating Council (RTCC) to direct public transportation policy within that metropolitan area. This act also provides for the creation of the Suburban Mobility Authority for Regional Transportation (SMART) to operate urban services outside of the City of Detroit.

For metropolitan areas outside of Southeast Michigan, the act provides for the establishment of a nine-member authority board appointed by the Governor. The authority may not levy taxes.



**Public Act 279 of 1965, Home Rule Act**, is an act in which each municipality, under its charter, may make provision to establish municipal departments deemed necessary for the welfare of the local community. This includes owning, constructing, and operating transportation facilities within its limits and ten miles outside its city limits.

**Public Act 284 of 1972, Business Corporation Act (Private-for-Profit Corporations)**, is an act to provide for the organization and regulation of corporations, prescribes their duties, rights, powers, immunities, and liabilities.

**Public Act 292 of 1989, Metropolitan Council Act**, is an act in which a combination of two or more local governmental units in a metropolitan area may form a metropolitan council. The council is considered an authority and may carry out a millage election for up to one-half mill.

**Public Act 312 of 1929, The Metropolitan District Act**, is an act in which any two or more cities, villages, or townships may incorporate into a metropolitan district comprising territory within their respective limits for the purpose of acquiring, owning, operating, and maintaining, and may sell or purchase transportation facilities within or outside its limits. The power to acquire a rapid transit system is expressly conferred by this act which may consist of a tunnel, subway, surface, or elevated system and said rapid transit system shall be deemed to be transportation under this act.

**Public Act 359 of 1947, The Charter Township Act**, authorizes the incorporation of charter townships and prescribes the powers and functions of the charter township.

## APPENDIX D

### MICHIGAN DEPARTMENT OF TRANSPORTATION RECOMMENDATION

#### General Principles

Transportation for citizens to participate in the 21<sup>st</sup> century, whether at work or play, is an important need. The State recognizes existing transit programs as partnerships carried out by public and private providers. Transit providers have their own goals and objectives that may or may not complement the state transit program goals. A priority for state funding assistance of any transit program should target those programs which most effectively meet the state transit program goals.

#### State Transit Program Goal

The primary goal of the state transit program is to provide resources for the safe, efficient and effective transportation of transit dependent individuals. Transit dependent are individuals without access to a private vehicle and include many elderly and disabled. Priority is placed on trips that transport the transit dependent to jobs, health care providers, schools (nonexclusively) and trips essential for meeting basic life needs. Secondary objectives of the state transit program include providing or improving statewide intermodal connections, regional connections, and reducing congestion and air pollution.

#### Base Funding

To achieve the primary goal, funding will be allocated to each transit agency based upon senior and disabled populations, unemployed worker needs and employer job openings. This proposal would group transit agencies into three peer groups serving similar service areas: urban, mid-size urban, and rural. Total base funding of \$43,350,000 would be prorated among the three peer groups based upon the aggregate funding levels the respective transit agencies will receive in fiscal year (FY) 2000. The \$43,350,000 base funding represents 30 percent of the total FY 2000 local operating assistance.

Urban transit agencies include the following: Detroit Department of Transportation (DDOT), Suburban Mobility Authority for Regional Transportation (SMART), Capital Area Transportation Authority (CATA), Ann Arbor Transportation Authority (AATA), Flint Mass Transportation Authority (MTA), and Grand Rapids Transit Authority (GRATA).

Mid-sized urban transit agencies include the following: Battle Creek Transit, Bay Metro Transportation Authority, Jackson Transportation Authority, Kalamazoo Metro Transit System, Muskegon Area Transit System, and Saginaw Transit System Authority.

### State Policy Funding

Policy funding of \$101,150,000, representing 70 percent of the total FY 2000 local operating assistance, would be allocated to the three peer groups based upon the funding level each transit agency receives in FY 2000. Policy funding is then allocated 30 percent based on efficiency factors, 30 percent on effectiveness factors and 40 percent on local nonfarebox contributions.

Policy funding is then distributed to the transit agencies based upon their relative ranking within the peer group for each of the three policy funding criteria. The following are the efficiency and effectiveness factors: cost-per-mile is an efficiency factor for urban and mid-size urban peer groups; passengers-per-mile is an effectiveness factor for urban and mid-size urban peer groups; cost-per-hour is an efficiency factor for rural peer groups; and passengers-per-hour is an effectiveness factor for rural peer groups.

The local nonfarebox contribution factor is intended to encourage stable local funding and fare structures which do not discourage use by transit dependent individuals. In addition, no transit agency would receive more than 50 percent of its operating support under the combined funding from the base funding and the state policy funding, and a 10 percent penalty to individual transit agencies is included for administrative costs exceeding 10 percent.

### Regional Funding Allocation

The 14 Michigan state regional planning agencies will be required to prepare a five-year regional public transportation plan and such a plan will include the services provided by public and private operators, specialized service operators, as well as new needs. The five-year plan shall be developed with input from public and private operators, Local Family Independence Agency, Department of Career Development, Community Health and Area Agency on Aging Offices, etc. The five-year plan must be approved by each of the county commissions/executives in the region. The five-year plan must designate a lead agency (could form a new PA 196 authority) to receive funding grants. A report must be made each year regarding the accomplishments made in implementing the plan.

The second year following passage of these legislative changes, funding will be allocated to the 14 regional areas based upon the area population and road miles in the region. Each region will apply for their allocation to carry out their regional plan. Transit capital projects are eligible for funding from the regional funding allocation.

### Increased Funding

Increased funding for the CTF will not be supported until there is demonstrated improvement in the delivery of service to the transit dependent population and in providing service as efficiently and effectively as possible, as measured by overall improvement in the state policy funding factors.

### Other Reforms & Changes

Work to increase the use of the federal voucher program by the business community. Insure that private intercity carriers have access to public funded intermodal terminals at fair-market rental rates. Strengthen the role of the local transit boards and local advisory committees including the management oversight and policy setting roles of the local boards. Establish a state transportation funding coordination committee made up of state agencies. Establish and expand a common activity data base for transit to support the measurement of effectiveness and efficiency of public transit agencies. Require performance audits of local transit agencies by mutually agreed-to third parties. Require all transit agencies to have a vehicle maintenance plan in place. Require that transit agencies contribute 50 percent of the local match for federal capital projects.

### Management Objectives

In carrying out the program goal identified above, MDOT will strive to: maintain low administrative cost in carrying out the state transit program; utilize newest information technology to increase the transparency of data for public and private decision making; provide resources to the transit operators in a timely manner; coordinate the use of resources at the state level to enhance the delivery of transit services at the local level; maximize the return of federal funds to Michigan; and provide clear policy direction to local transit boards and transit managers consistent with the state program goal.

## **APPENDIX E**

### **MPTA AND MASSTRANS RECOMMENDATION**

The Michigan public transit industry supports the adoption of a comprehensive transportation fund (CTF) assistance formula that will accomplish the following purposes: provide adequate levels of funding; distribute funding on the basis of equity and efficiency/effectiveness factors; and address the needs of all existing and potential users of the public bus transportation system.

The formula should include base funding and performance funding. The first distribution should be made through the factors of service area population/density and service area square miles. This will achieve a capped maximum level of equitable funding distributed upon the characteristics and needs of both urban and nonurban systems.

The remaining funds in the CTF should be distributed to transit systems strictly based upon the basis of meeting industry-wide performance, efficiency, and effectiveness standards as determined jointly by the transit industry and MDOT.

Public transportation funding should also include special needs funding. A consolidation of existing transportation funds from all state departments and agencies, other than MDOT, allocated based on the number of transit-dependent persons in a prescribed service area, as determined jointly by the transit industry and MDOT.

The key benefits of this approach is that it will be performance based; promote and reward efficiency and effectiveness; provide predictable and equitable funding; require and encourage growth of local commitment; accommodate service expansion; benefit all citizens of Michigan, including transit dependent, who have the right to access public transit; and support economic development.

Other issues to be addressed include: federal funding, regionalization, program administration, and the private sector role. Public transit encourages MDOT to meet and maintain the following objectives: maximize access to all available federal funding; provide for the full state funding match; distribute all appropriated federal funds in a timely manner; and streamline the management of federal resources.

The industry concurs with MDOT's position to put in place a mechanism for utilizing federal regional planning dollars to develop a five-year plan.

The industry strongly encourages the state and the Legislature to reduce and streamline the present administrative process by: simplifying the annual application; reducing processing procedures; eliminating unnecessary and redundant information requests; offering technical assistance only upon request; and establishing reporting standards.

There is a private sector role in the provision of public transit services. This should be recognized by the state through a competitive bidding process for private operators to compete for the provision of existing and new services for public transit passengers.

To summarize, the joint MPTA/MASSTrans plan is a formula for equity, efficiency and effectiveness to address the public transportation needs of Michigan and legislative intent. It is a comprehensive response for achieving accountability and reform in the public transportation program. It meets the needs of all existing and potential users of the public transportation system. This plan has been developed by the public transit industry based on first-hand knowledge and experience in serving the general public for over 25 years.

## **APPENDIX F**

### **INTERCITY BUS RECOMMENDATION**

Representatives from the intercity bus industry presented the following recommendations to the Committee:

Mandate that MDOT establish a master public transportation plan that builds on the essentials that are already in place. The intercity bus service works in Michigan. There are two intercity bus carriers with approximately 50 intercity coaches, 200 private charter bus companies with 1,450 buses, and 350 limousine companies with more than 1,500 vehicles that can play a role in the mass transportation needs of the public. These players could come together to create a formidable regional transportation system at substantially less cost than publicly funded regional transportation programs.

Insure that the intercity bus program has access to all revenues approved by the Legislature and Governor in the annual MDOT budget by removing the discretionary power of UPTRAN. Mandate that bus capital, operating assistance, terminal assistance, and 5311(f) state funds be available to intercity companies making application for the funds. Penalize MDOT for spending the funds in an inappropriate manner or not at all.

Establish an intercity bus passenger division administrator, experienced in the industry, who has knowledge and ability to be an industry advocate (similar to the rail, transit and freight division administrators presently within UPTRAN). All of the functions that pertain to the intercity bus program, including the bus capital equipment program, operating and terminal assistance, and 5311(f) programs, regulatory, and enforcement activities would also be part of this effort. Industry personnel would have access to this person through advisory panels (similar to others within UPTRAN) and this person would work with the industry to approve their projects for funding. This proposal would include regulatory oversight of intercity bus and charter operations, as well as limousine service providers. If state funds were spent on private operators for a regional system, this area would be the perfect one to administer that part of the program.

Insure that private intercity carriers are able to utilize public and intermodal terminals without exorbitant rents or common area maintenance (CAM) charges on buildings that have been paid for with state or federal monies. The facility should not serve as an income producing entity for the locals, but rather should be required to house intercity and other modes of transportation for \$1 or less. CAM charges would be limited to the square footage percentage the mode occupies in the facility.

Start any discussion of regional transportation service on the premise that there is a private sector available to provide service on a competitive basis. The intercity bus operators, in conjunction with charter, limousine, taxi and other private operators, could come together to provide a regional transportation network that meets the needs of the public if given the

chance. There is no constitutional guarantee of a ride to anywhere in Michigan and any individuals requiring public support should be means tested. All others should pay the going rate.

If a regional transportation program comes to be, there should be some minimal requirements that the private sector be eligible to bid and receive funds to operate the service. Colorado's regional transportation program requires that 50 percent of the funds spent under their regional transportation program be awarded to the private sector. Private companies bid for the private portion and public entities bid for the public dollars. Each entity competes on a level playing field with its own type.

Institute a statewide mandate that limits the territory that a publicly funded transit agency can travel to its own local governmental area. If the adjoining cities have a gap in space (i.e., one mile) then the service is defined as intercity and the public agency may neither receive any public funds to operate the service nor can it compete with a private agency that receives no funding. Separate record keeping must document these requirements.

Require that all public and private mass transportation entities meet the same performance, safety, and operational standards including: annual bus safety inspections; enforcement of fines for vehicle safety violations; annual registration fees for all transportation modes similar to those assessed against intercity bus, charter and limousines. Grant UPTRAN regulatory section enforcement powers and the ability to inspect all public and private mass transportation vehicles and place unsafe vehicles out of service until repairs are made. Presently, transit and vehicles not licensed or registered by UPTRAN's Regulatory Section do not face the same safety requirements that motor coach and limousine operators face. These unregistered and unregulated vehicles carry passengers in vehicles that neither are road worthy nor meet the same safety standards that the motor coach and limousine vehicles must meet, placing the riders in great peril in case of an accident or other catastrophic event.

Require transit agencies to operate on the same performance standards that the private sector carriers operate on. Although not able to make a profit, they can still be compelled to meet benchmarks and performance standards in such areas as cost per mile, passenger per mile, standardized overhead costs, pooled administrative services, and elimination of services that fail to meet the requisite standards.

Establish a clearing house of information with a toll-free number that is accessible by every resident of Michigan that would provide them with their transportation options based upon the area of the state they reside in or desire to travel to. This would include intercity bus, charter, limousine, taxi, transit, ferry, air, and train. The information would include contact numbers of the transportation providers.

Upgrade MDOT's web page to include a section entitled the "Michigan Transportation User's Guide and Clearing House." The section would include availability of service and contact information to all public and private transportation providers in Michigan. Where possible,



direct web page links would also be provided to enable the users access to fare and schedule information.

Implement a comprehensive education and marketing program throughout Michigan aimed at informing residents of their public and private transportation alternatives, along with the toll-free number and web page information. These campaigns could be designated to correspond with travel and holiday seasons, and be geared to students, retirees, the disabled, and others who presently rely on mass transportation as well as potentially new users.

As part of a statewide resource assessment, convene a summit between the users and providers of transportation services to develop a comprehensive transportation program that addresses the needs of all users and providers, as well as the needs of employers and communities, in the most economical and efficient manner. As part of this assessment, evaluate the most economical means of providing any new services or expanding present services and open the process up to all of those entities that have the resources and ability to be involved in the provision of such services. These then should be incorporated into a five- and ten-year plan for mass transportation development and enhancement, just like the five- and ten-year road plans.

## APPENDIX G

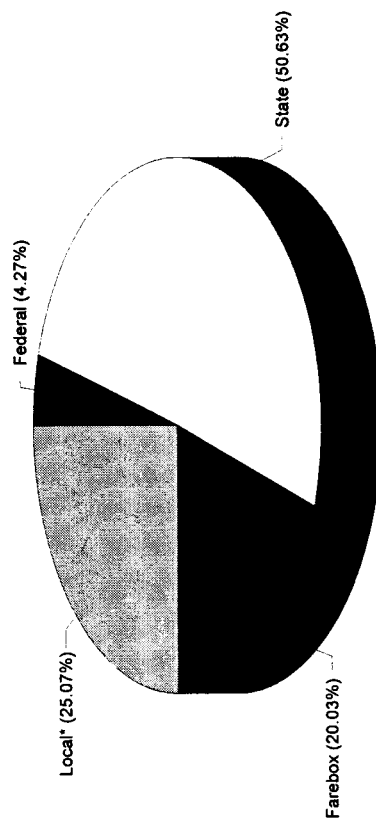
## OTHER STATE PUBLIC TRANSPORTATION PROGRAM DESCRIPTIONS

State	Regional Authorities	Geographic Funding Splits	Performance Measures Used in Distribution Formula	Operating Caps
Illinois	RTA - Chicago Metro Area	RTA, rural/small urban, downstate urban	None	53% downstate 45% under reduced fair reimbursement program 50% for RTA
Indiana	No	Large fixed-route, small fixed-route, urban demand-response, rural demand-response	Passengers/operating expense, miles/operating expense, local funding/operating expense	50%
Iowa	16 rural regions	Urban, rural regional systems	Local financial support, ridership per unit cost, revenue miles per unit cost	None
Maryland	No	Allocated by county	None	No information
Michigan (current)	SMART	Over 100,000 population Under 100,000 population	None	50% pop > 100,000 60% pop < 100,000
New York	No		Passengers per mile, local support	No information
Ohio	No	Large city rail/bus, big city, intermediate city bus, small city bus, separate funding for rural systems	Number of passengers transported, revenue miles, local support	No information
Pennsylvania	No	Philadelphia, Pittsburgh, other urban systems, nonurban systems (separate pot)	Other urban areas - fare box revenues, vehicle miles Nonurban - vehicle miles, vehicle hours	Growth cap based on growth in state funds

## APPENDIX H - CHART 1

State Transit  
Operating and Capital Program**Operating**

All Transit Agencies: FY 1998



## All Transit Agencies

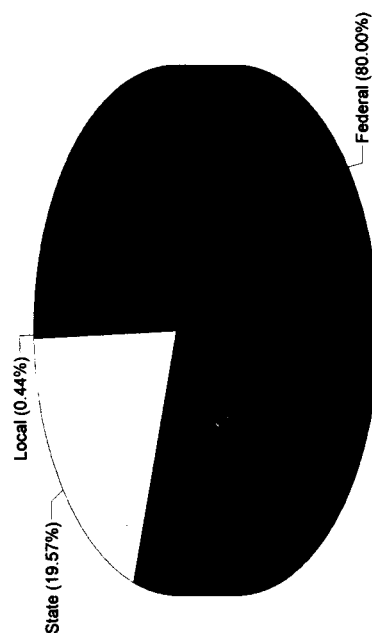
Federal	\$13,689,314
State	\$162,460,418
Farebox	\$64,276,684
Local*	\$80,453,595

Eligible Expenses	<u>\$320,880,011</u>
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\*Local \$\$ required to cover expenses

**Capital**

All Transit Agencies: FY 1998



## All Transit Agencies

Federal	\$61,427,577
State	\$15,024,355
Local	\$336,837

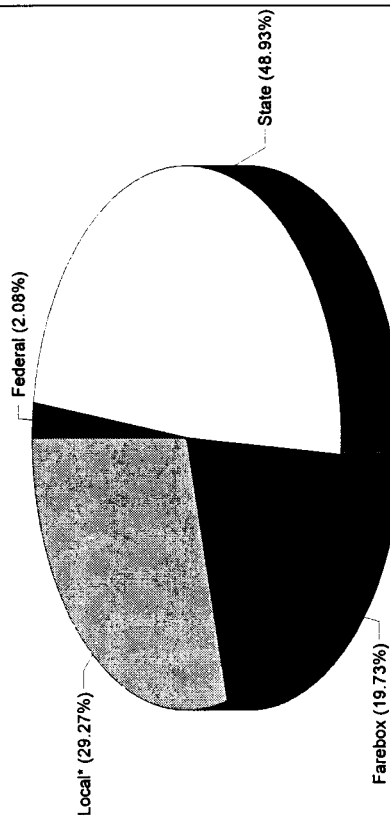
Total	<u><u>\$76,788,769</u></u>
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APPENDIX H - CHART 2

State Transit  
Operating and Capital Program

## Operating

Large Urban Agencies: FY 1998



### Large Urban

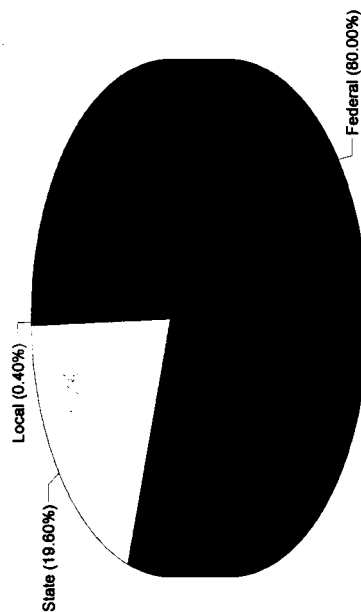
Federal	\$5,360,301
State	\$126,336,722
Farebox	\$50,933,510
Local*	\$75,574,640

Eligible Expenses	<u>\$258,205,173</u>
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\*Local \$\$ required to cover expenses

## Capital

Large Urban Agencies: FY 1998



### Large Urban

Federal	\$33,204,920
State	\$8,134,240
Local	\$166,990

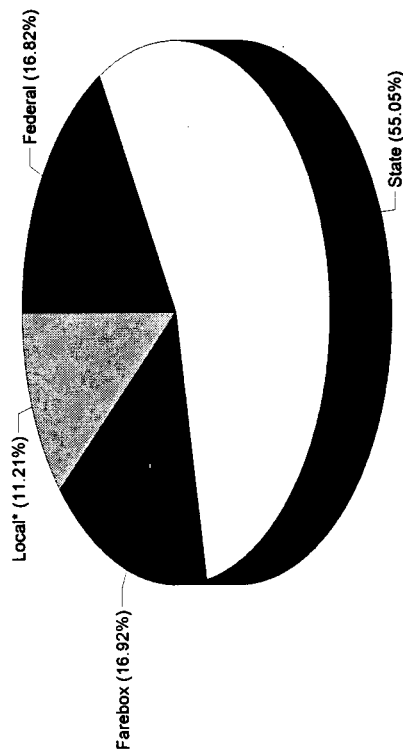
Total	<u>\$41,506,150</u>
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## APPENDIX H - CHART 3

**State Transit  
Operating and Capital Program**

## Operating

Mid/Small Urban Agencies: FY 1998



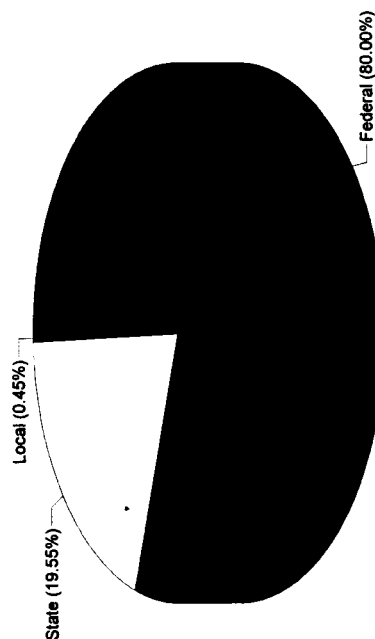
### Mid/Small Urban

Federal	\$3,779,022
State	\$12,370,480
Farebox	\$3,802,667
Local*	\$2,519,406
Eligible Expenses	<u>\$22,471,575</u>

\*Local \$\$ required to cover expenses

## Capital

Mid/Small Urban Agencies: FY 1998



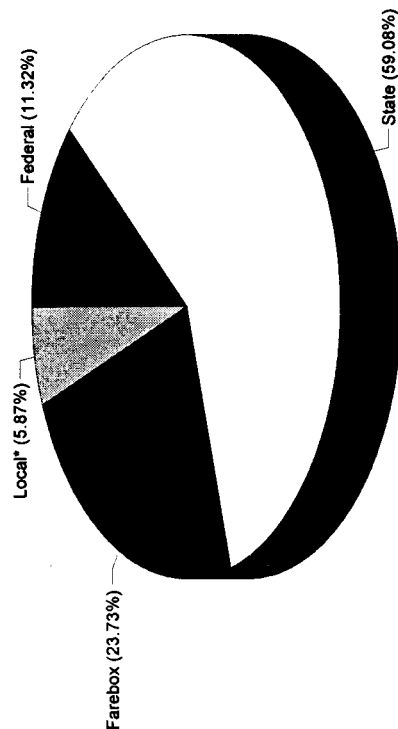
### Mid/Small Urban

Federal	\$17,620,382
State	\$4,305,728
Local	\$99,367
Total	<u>\$22,025,477</u>

## APPENDIX H - CHART 4

State Transit  
Operating and Capital Program**Operating**

Non Urban Agencies: FY 1998



Non Urban

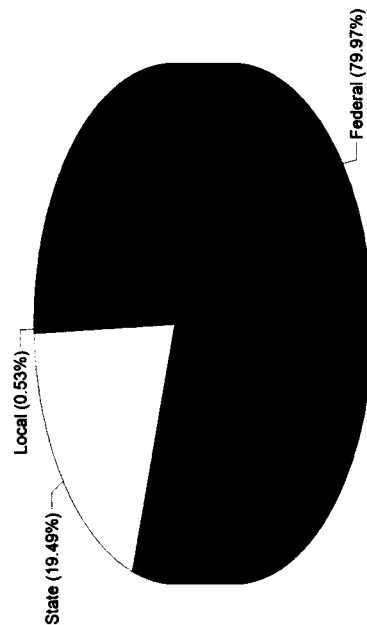
Federal	\$4,549,991
State	\$23,753,216
Farebox	\$9,540,507
Local*	\$2,359,549

Eligible Expenses	<u>\$40,203,263</u>
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\*Local \$\$ required to cover expenses

**Capital**

Non Urban Agencies: FY 1998



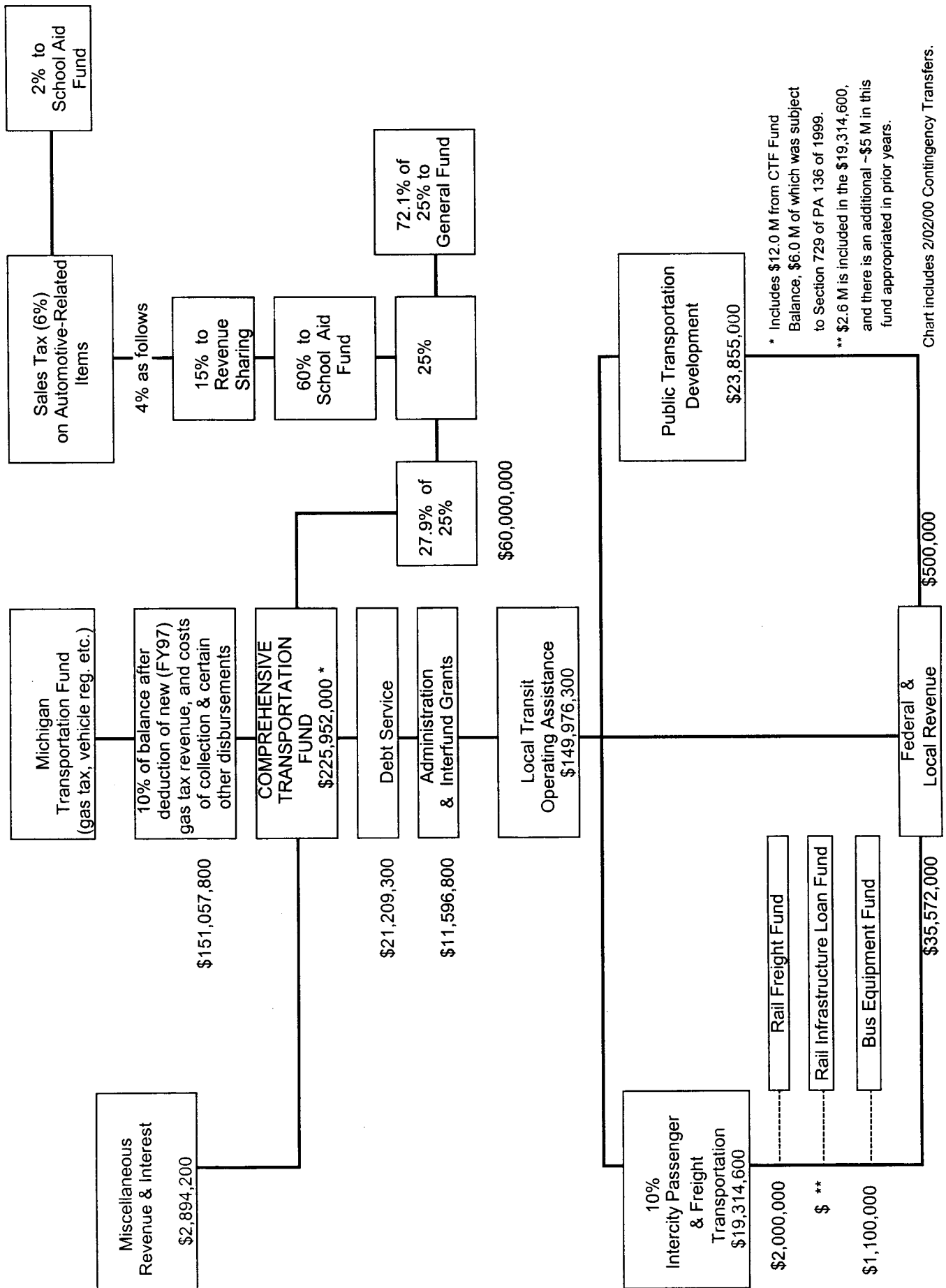
Non Urban

Federal	\$10,602,275
State	\$2,584,387
Local	\$70,480

Total	<u>\$13,257,142</u>
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# APPENDIX I COMPREHENSIVE TRANSPORTATION FUND DISTRIBUTION

## FY2000 COMPREHENSIVE TRANSPORTATION FUND



**APPENDIX J****PUBLIC ACT 51 OF 1951, SECTION 10e.**

Under existing Public Act 51 of 1951, Section 10e. (1) The comprehensive transportation fund is appropriated for each fiscal year in the following order of priority.

(2) The first priority is to pay, but only from money restricted as to use by Section 9 of Article IX of the state constitution of 1963, the principal and interest on bonds or notes issued under Section 18b. for comprehensive transportation purposes as defined by law. A sufficient portion of the comprehensive transportation fund is irrevocably appropriated to pay, when due, the principal and interest on those bonds and notes.

(3) After making or setting aside payments required by Subsection (2), the second priority of the comprehensive transportation fund is the payment of the department's cost in administering the comprehensive transportation fund. The amount to be expended pursuant to this subsection shall not exceed the costs appropriated for the administration of the fund in the fiscal year ending September 30, 1987, as adjusted annually on October 1, by the change for the preceding 12 months in the Detroit consumer price index for urban wage earners and shall be appropriated annually by the Legislature.

(4) After making or setting aside payments required by Subsections (2) and (3), the balance of the comprehensive transportation fund shall be expended each fiscal year as appropriated annually by the Legislature pursuant to the state transportation program approved by the commission as follows:

(a) The third priority shall be the payment of operating grants to eligible authorities and eligible governmental agencies according to the following formulations and subject to the following requirements:

(i) For the fiscal year ending September 30, 1998, and for each fiscal year thereafter, each eligible authority and eligible governmental agency which provides public transportation services in urbanized areas under Public Law 103-272, 49 U.S.C. 5307, with a Michigan population greater than 100,000, shall receive a grant of up to 50 percent of their eligible operating expenses as defined by the state transportation department.

(ii) For the fiscal year ending September 30, 1998, and each fiscal year thereafter, each eligible authority and eligible governmental agency which provides public transportation services in urbanized areas with a Michigan population less than or equal to 100,000 and nonurbanized areas under Public Law 103-272, 49 U.S.C. 5311, shall receive a grant of up to 60 percent of their eligible operating expenses as defined by the state transportation department. For purposes of receiving a grant under this subparagraph in nonurbanized areas, eligible costs of services provided by water vehicle shall be reimbursed at not less than 50 percent of the portion of the costs not eligible for reimbursement by the federal government.



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